



ISSN	Awaiting Allocation
Website	ijsm.asdfjournals.com
Received	03-Jan-2015
Article ID	IJSM2015001

Vol	V1.I1 @ Jan 2015
eMail	eic.ijsm@asdfjournals.com
Accepted	04-April-2015
eAID	e-aid.org/IJSM.2015.001

SERVQUAL in Life Insurance Service-A Study on LIC of India in Tamil Nadu

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Abstract- In the event of severe competitions in the Insurance sector, in India, an attempt has been made to analyze the SERVQUAL of Life Insurance Corporation of India, a public enterprises, through the perceptions of insured in Ramanathapuram District, Southern Part of Tamil Nadu. This study presents mainly the reviews and the concepts. However, to establish the construct validity of the SERVQUAL model with reference to the insured in the study area, confirmatory factor analysis was done.

Key Words: SERVQUAL, Insurance, Insurer, Insured, Premium, Customer Service, Customer Expectation, Customer Value, and Customer Satisfaction.

I INTRODUCTION

Insurance industry plays strategically an important role contributing to the economic development of the country besides sharing the responsibility of funding major projects of the Central and State Governments. In this study, Life Insurance industry, particularly the Life Insurance Corporation of India (LIC) the public sector organization has been taken. The service quality of the organization is considered to be pivotal in influencing and attracting more customers which helps develop the organization to face the competition from the private sectors who have recently entered in this business. The researchers have selected the Ramanathapuram District in Southern Tamilnadu. The district being the backward in industrial and socio-economic development, it may be the fittest one to measure the SERVQUAL of LIC of India, the lapses or lacking of services, if any, to take the strategically good decisions to improve the business by filling up the gaps. In this study SERVQUAL model (Parasuraman et al., 1985) was used. Even though this study is mainly on theoretical one, primary data were collected and the construct validity was established through confirmatory factor analysis.

Objectives

1. To test the SERVQUAL model among insured in Ramanathapuram district, Tamilnadu, India.
2. To prioritize the critical factors according to the geographical area.
3. To prepare bibliography of latest studies related to SERVQUAL in Life Insurance industry.

REVIEWS

Service Quality in Life Insurance Industry

Sachdev and Verma (2004) attempted to explore the relative importance of service quality dimensions in Banking, Insurance, Fast food, and Beauty salon. The study results suggested that in all areas under study, the dimensions; tangibility, reliability,

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Cite this article as: Meikanda Ganesh Kumar R, Anbuoli Parthasarathy, Jothimurugan T, Shiv Datt Kumar. "SERVQUAL in Life Insurance Service-A Study on LIC of India in Tamil Nadu." *International Journal on Strategy Management [IJSM]* (2015): 1-6. Print.

responsiveness, assurance, and empathy are important and there is no significant difference among sectors in the ranking of the dimensions.

Barkur et al., (2007) identified past experience, personal needs, external communication, word of mouth, and active clients were the key parameters of Service Quality.

Sandhu and Bala (2011) concluded that the three factors namely, proficiency; physical and ethical excellence; and functionality have significant impact on the overall service quality of Life Insurance Corporation of India.

Mittal et al., (2013) observed that the perceived service quality of Life insurance services is a multi-dimensional second-order construct consisting of the primary dimensions of service delivery; Sales, Agent Quality, Tangibles and Value of Core Service. Reza; Pashaie et al., (2013) attempted to evaluate service quality in insurance industry based of customer and personnel view in Kavsar insurance institute, Iran. The study utilized the survey approach. The sample consisted of 319 respondents. The results showed huge gap for reliability, responsiveness and empathy in which reliability showed highest gap between customers' perception and expectation. This research illustrated that reliability emerged as the most critical determinant of SERVQUAL measure of service quality.

Guru Murthy and Chilar Mohamed (2013) studied the level of service quality of Life Insurance Corporation of India with special reference to Chennai District with seven dimensions namely, assurance, personalized financial planning, competence, corporate image, tangibles, technology and ethics. Rajamani (2013) assessed the Service Quality in Insurance Sector in Virudhunagar district, Tamil Nadu through a SEM approach. The result of the assessment revealed that customers rated 'reliability' as the most important dimension. Pramod Kumara Singhal (2013) studied the service quality in Insurance sector taking private companies of Haryana State. This study was based on the SERVQUAL model covering 500 customers of private insurance companies of 7 districts of Haryana. The study concluded that the people are still carrying a negative impression towards the private insurance companies. Urban Sebjan and Polona Tominc (2014) studied the relationships among components of Insurance Companies and Services' Quality through SEM approach. The sample size was 200 Slovenian users of insurance services. The results indicated that higher perceived innovation of insurance company was associated with higher perceived reputation of insurance company. Shamsheer Singh et al., (2014) studied the customer perception towards Service Quality of Life Insurance Companies in Delhi NCR Region. The primary data was collected from 139 respondents of Delhi NCR Region. The factor analysis and correlation were used to find the perception of the customers. The study has found that there were four major factors which influence customer perception of service quality namely, responsiveness and assurance, convenience, tangibility and empathy. Only age of respondents have been found to be significantly related with the customer perception and other demographic factors had no significant impact.

Kuldheep Chaudhary et al., (2014) examined the Expected and Perceived Service Quality in Life Insurance Corporation of India. The findings suggested that there exist a significant negative gap in service quality expected and perceived by the customers of the selected company. Arul and Kannan (2014) conducted a research study to understand the Policyholders' preconception towards Service Quality of Life Insurance Companies in Tamilnadu. The study identified eight service quality factors such as Employee Competence, Credibility, Timeliness and Promptness, Convenience, Accessibility, Communication, Customer Orientation, and Responsiveness. The analyses revealed that the demographical variables of the respondents and the eight service quality factors were significantly related.

Prakash and Sugumaran (2014) assessed the perception and expectations of customers in Servqual parameters with reference to Life Insurance Companies in Chennai, India. The sample size of the study was 150. They have used stratified random sampling technique. The factors which are significant are Communications, Competence, Reliability, Security and Courtesy and the expectation levels of these dimensions are significantly higher.

Concerning the definition of the term

Parasuraman et al. (1988) defined perceived service quality as "global judgment, or attitude, relating to the superiority of the service".

Brown and Swartz (1989) drew some distinctions between different views on service quality, drawing from the work of Gronroos (1983) and Lehtinen and Lehtinen (1982) concerning the dimensions of service quality. "What" the service delivers is evaluated after performance (Brown and Swartz, 1989, p.190). This dimension is called outcome quality by Parasuraman et al. (1985), technical quality by Gronroos (1983), and physical quality by Lehtinen and Lehtinen (1982). "How" the service is delivered is evaluated during delivery ((Brown and Swartz, 1989, p. 190). This dimension is called process quality by Parasuraman et al. (1985), functional quality by Gronroos (1983), and interactive quality by Lehtinen and Lehtinen (1982)

On SERVQUAL Model

Carman (1990) was the first to criticize the perceptions-minus-expectations operationalization of SERVQUAL. His criticisms were based on theoretical considerations rather than empirical evidence, which supported the SERVQUAL measure. He attempted to

answer these criticisms from within the framework of the original service quality model with important extensions to the SERVQUAL measure.

Cronin and Taylor (1992) also criticized the perceptions-minus-expectations operationalization of SERVQUAL. They argued that the theoretical considerations' evidence suggests that the underlying service quality model developed by Parasuraman et al. (1985) is flawed. Therefore, using their own service quality model, they developed an alternative measurement scale based on service performance (or perceptions) rather than perceptions minus expectations. They tested this alternative scale empirically, along with the SERVQUAL scale, in four previously untested service settings and argued that the results proved the superiority of their performance-based measures of service quality.

Specifically, Cronin and Taylor (1992) tested the ability of their performance-only measurement scale, SERVPERF (1) compared to SERVQUAL (2).

Service quality = (perceptions) (1)

Service quality = (perceptions - expectations (P - E)) (2)

Construct Validity

The construct validity of the instrument in the light of profile insured in Ramanathapuram district, in Tamil Nadu was tested by using confirmatory factor analysis.

In the present study, the confirmatory factor analysis method with Orthogonal Varimax Rotation is used to identify the significant set of quality system factors.

The Rotated Factor Matrix for the variables relating to service quality of the selected life Insurance companies included in the study as perceived by the insured's of these Insurance companies is given in Table 1.

Table 1 gives the loadings received by the factors under F1, F2, F3, F4 and F5 for life insurance LIC of India.

TABLE 1. ROTATED FACTOR MATRIX

Questions	Factor 3	Factor 2	Factor 1	Factor 4	Factor 5
Modern looking equipment	0.77801	0.01960	0.05848	0.10619	0.02542
Visually appealing physical facilities	0.75157	0.09122	0.20815	0.09246	0.09497
Visually appealing materials	0.56960	0.07885	0.15548	0.53233	0.02564
Neat in appearance	0.53421	0.00265	0.09146	0.09282	0.54141
Insurance companies insist on error-free records	0.16835	0.75170	0.04036	0.05635	0.24903
Personnel of insurance company tell insured exactly when services will be performed	0.11472	0.69452	0.31989	0.20425	0.12201
Behaviour of personnel of insurance company instills confidence in insured	0.07326	0.66044	0.20602	0.37191	0.19841
Gives insureds prompt service	0.13506	0.58267	0.53117	0.07027	0.07162
Convenient operating hours	0.32288	0.47175	0.10039	0.03099	0.44841
Personnel of insurance companies always willing to help insured	0.07907	0.12551	0.70945	0.03875	0.19648
Gives personal attention	0.17319	0.17996	0.63257	0.00007	0.22101
When insureds have a problem, the insurance company shows a sincere interest in solving it	0.20242	0.27823	0.59410	0.14595	0.10099
Never be too busy to respond to insured's requests	0.10331	0.00100	0.57110	0.26607	0.06062
Insurance companies have insured's best interest at heart	0.09707	0.09285	0.53242	0.38666	0.15447
Gives individual attention	0.29840	0.21691	0.46772	0.20396	0.31817

Insureds feel safe in dealing with the insurance company	0.17766	0.32569	0.00026	0.59455	0.09638
Promises to do something by a certain time, and does so	0.06669	0.10709	0.39060	0.53059	0.25166
Financially stable	0.07012	0.50252	0.13551	0.52301	0.17350
Personnel of insurance companies have knowledge to answer the insured's questions	0.14108	0.25019	0.22361	0.39311	0.19288
Consistently courteous with the insured	0.05647	0.08219	0.18906	0.36541	0.64364
Understand insured's specific needs	0.07981	0.41433	0.45517	0.20959	0.49391
Gets things right the first time	0.04327	0.24567	0.33973	0.23581	0.41879
Eigen value	1.33999	2.00043	6.74001	1.01647	0.96736
Percentage of variance	6.1	9.1	30.6	4.6	4.4
Cumulative %	45.8	39.7	30.6	50.4	54.8

Factor Analysis exhibits the rotated factor loadings for the 22 statements (variables) of quality of service rendered by LIC. It is clear from the table 2 that all the twenty two statements have been extracted into five critical factors namely F1, F2, F3, F4 and F5. The factors identified with new names which influence the quality of service rendered by the life insurance companies are; Individualized attention, Performance, Tangibles, Trust Worthiness, and Courtesy.

1. Derivation of Revised dimension clusters using factor analysis

The result of the factor analysis throws a new dimension by way of the variables moving one dimension to another.

Table 2, shows the revised dimension clusters using factor analysis. This table compares and projects the difference between standard SERVQUAL dimensions and factor extracted through factor analysis.

TABLE 2. REVISED DIMENSION CLUSTERS USING FACTOR ANALYSIS

SERVQUAL standard dimension		Factor extracted from primary data	
Questions	Dimensions / critical factors	Question	Dimensions / critical factors
1. Modern looking equipment 2. Usually appealing physical facilities 3. Neat in appearance 4. Visually appealing Materials	Tangibles	1. Modern looking equipment 2. Usually appealing physical facilities 3. Neat in appearance 4. Visually appealing materials	Tangibles
5. Promises to do something by a certain time and does so 6. Sincere interest in solving the insured's problems 7. Gets things right the first time 8. Financially stable 9. Error free records	Reliability	6. Sincere interest in solving the insured's problems 12. Willing to help you 13. Never be too late to carry out insured's requests 18. Gives insured individual attention 20. Personnel gives personal attention 21. Insurance company has insured's best interest at heart	Individualized attention
10. Tell exactly when services will be performed 11. Gives insured prompt services 12. Willing to help you 13. Never be too late to carry out insured's requests	Responsiveness	9. Error free records 10. Tell exactly when services will be performed 11. Gives insured prompt services 14. Instils confidence in insured 19. Convenient operating hours	Performance
14. Instils confidence in insured	Assurance	5. Promises to do something	Trust worthiness

15. Feel safe in dealings with the insurance company 16. Consistently courteous with insured 17. Personnel have knowledge to answer the insured's questions		by a certain time and does so 8. Financially stable 15. Feel safe in dealings with the insurance company 17. Personnel have knowledge to answer the insured's questions	ness
18. Gives insured individual attention 19. Convenient operating hours 20. Personnel gives personal attention 21. Insurance company has insured's best interest at heart 22. Understand the specific needs of the insured	Empathy	7. Gets things right the first time 16. Consistently courteous with insured 22. Understand the specific needs of the insured	Courtesy

II CONCLUSION

In this study, the loadings of the 22 variables were higher than 0.5 and hence the construct validity was established. However, the variables under the original SERVQUAL instrument were transformed and grouped under five dimensions namely, Individualized attention, Performance, Tangibles, Trust Worthiness, and Courtesy.

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